

Message Text

UNCLASSIFIED

PAGE 01 ROME 17666 241350Z

43

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SP-02 AID-05 EB-07 NSC-05

RSC-01 CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06

LAB-04 SIL-01 L-02 H-02 PA-02 PRS-01 USIA-15 (ISO) W

----- 028292

P 241131Z DEC 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 8768

INFO USMISSION EC BRUSSELS

AMCONGEN MILAN

AMCONGEN NAPLES

USMISSION OECD PARIS

UNCLAS ROME 17666

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: NEW MONETARY MEASURES: DISCOUNT RATE, BANK CREDIT
LIMITS AND RESERVE REQUIREMENTS

REF: ROME 3732 OF FEBRUARY 19, 1974

1. /SUMMARY/. INTERMINISTERIAL CREDIT COMMITTEE ADOPTED
FOLLOWING MAJOR MEASURES ON DECEMBER 23: 1) BASIC DISCOUNT
RATE WAS REDUCED FROM 9 PERCENT TO 8 PERCENT;
2) 15 PERCENT BANK CREDIT LIMIT IN 1974/75 WAS MADE INAPPLICABLE
TO LARGE DEBTORS AND TO SOME EXPORT CREDITS AND PRIORITY IS
TO BE GIVEN TO BOI DISCOUNTING OF EXPORT PAPER; 3) BANKS WILL BE
PERMITTED TO USE PUBLIC WORKS AND PUBLIC SERVICE BONDS,
AS WELL AS INCREASED AMOUNTS OF MORTGAGE BONDS, AS PART OF
REQUIRED RESERVES. /END SUMMARY/.

2. /DISCOUNT RATE/. INTERMINISTERIAL CREDIT COMMITTEE
REDUCED BASIC BOI RATE FOR DISCOUNTS AND ADVANCES FROM 9 PERCENT
TO 8 PERCENT (REFTEL). HEAD OF BOI RESEARCH OFFICE INDICATES
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ROME 17666 241350Z

THAT MAXIMUM 3 PERCENT ADDITIONAL PENALTY RATES,

AT LEAST FOR FIXED TERM ADVANCES, WILL BE REDUCED BY 1/2 PERCENT SO THAT MAXIMUM RATE FOR REPETITIVE BORROWINGS FROM CENTRAL BANK WILL BE 11 1/2 PERCENT INSTEAD OF 12 PERCENT. MAJOR REASON BEHIND REDUCTION OF BOI INTEREST RATE FOR DISCOUNTS AND ADVANCES IS TO PERMIT CORRESPONDING MODEST DECLINE IN BANKS' LENDING AND DEPOSIT RATES. BANKS HAVE BEEN EXERTING STRONG PRESSURE ON BOI TO LEGISLATE REDUCTION IN THEIR DEPOSIT RATES ON GROUNDS THAT THEY ARE TOO HIGH TO BE REMUNERATIVE AND ON GROUNDS THAT THEIR CORRESPONDINGLY HIGH LENDING RATES ARE FEEDING INFLATION.

3. /15 PERCENT BANK CREDIT LIMIT/: LIMIT ON INCREASE IN BANK CREDIT OF 15 PERCENT DURING PERIOD
APRIL 1, 1974 TO MARCH 31, 1975 WILL NOT APPLY TO BANKS' CLIENTS WHOSE DEBT TO BANK ALREADY EXCEEDS 500 MILLION LIRE. LIMIT WILL ALSO BECOME INAPPLICABLE DURING REMAINDER OF THIS PERIOD TO LIRA AND FOREIGN CURRENCY EXPORT CREDITS FOR GOODS. ALSO, BOI WILL GIVE PRIORITY TO THESE EXPORT CREDITS IN ITS DISCOUNTS AND ADVANCES, ON BASIS SUBMISSION OF SUPPORTING CUSTOMS DOCUMENTS. GOI RECONFIRMS THAT CREDIT LIBERALIZATION WILL NOT AFFECT LIMIT ON GLOBAL BANK CREDIT IN THIS PERIOD OF INCREASE OF 22,400 BILLION LIRE.

4. /RESERVE REQUIREMENTS/. ITALIAN BANKS MAY HENCEFORTH USE BONDS ISSUED TO FINANCE PUBLIC WORKS AND PUBLIC SERVICE PROJECTS AS PART OF OBLIGATORY RESERVES AGAINST DEPOSIT LIABILITIES. BANKS WILL ALSO BE ALLOWED TO SUBSTITUTE ADDITIONAL MORTGAGE BONDS FOR REQUIRED RESERVES (IN PLACE OF CASH) OF UP TO ADDITIONAL 300 BILLION LIRE. FURTHER SUBSTITUTION OF BONDS TO FINANCE POPULAR HOUSING IS ANTICIPATED.

5. /INDEXED HOUSING/SAVINGS PLAN/. COMMITTEE HEARD REPORT ON PLAN DEVELOPED BY BOI WHICH WOULD CREATE INDEXED SAVINGS DEPOSITS TIED TO COST OF LIVING AND LINKED TO VARIABLE INTEREST HOUSING LOANS. COMMITTEE TOOK NO ACTION ON THIS PROPOSAL.

6. /COMMENTS/. IN INTERVIEW FOLLOWING COMMITTEE MEETING, TREAS MINISTER COLOMBO NOTED THAT ITALY HAD STAYED WITHIN ITS IMF CREDIT CELINGS, THAT BALANCE OF PAYMENTS IMPROVEMENT WAS CONTINUING AND THAT THERE WERE EVEN SOME TIMID SIGNS
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ROME 17666 241350Z

OF PRICE DECELERATION. HE STRESSED THAT LIBERALIZATION OF CREDIT WITH REGARD TO EXPORTS, PUBLIC WORKS AND HOUSING, WOULD NOT BE IN CONFLICT WITH ITALY'S INTERNATIONAL COMMITMENTS. MEASURES WERE MOTIVATED BY DESIRE TO STRENGTHEN BALANCE OF PAYMENTS AND TO STIMULATE PRODUCTION AND EMPLOYMENT.VOLPE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISCOUNT (CURRENCY), PRIME INTEREST RATES, CREDIT CONTROLS, ANTIINFLATIONARY PROGRAMS, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 24 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ROME17666
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740374-0109
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741212/aaaaajwy.tel
Line Count: 112
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 74 ROME 3732, 74 OF FEBRUARY 19, 74 1974
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 03 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <03 OCT 2002 by ReddocGW>; APPROVED <02 JAN 2003 by MorefiRH>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEW MONETARY MEASURES: DISCOUNT RATE, BANK CREDIT LIMITS AND RESERVE REQUIREMENTS
TAGS: EFIN, IT
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005